ANNUAL REPORT

FOR THE YEAR ENDED MARCH 31, 2006

YUKON HOUSING CORPORATION

2007-01204/

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Minister Jim Kenyon Rudy Couture

November 23, 2006

The Honourable Jim Kenyon
Minister Responsible for
Yukon Housing Corporation
Government of Yukon

Dear Minister Kenyon:

I am pleased to submit the Annual Report of the Yukon Housing Corporation (YHC) for the year ended March 31st, 2006.

On behalf of all members of the YHC Board of Directors, it is my sincere pleasure to report on some of the major activities, initiatives and successes of the 2005-06 fiscal year.

The YHC Board of Directors initiated programming changes to assist with housing affordability issues created by the steady increase in the value of homes and market demands. These changes will reduce the pressures that many Yukoners have felt in attempting to satisfy their housing needs.

An important initiative in this regard is the partnership that the corporation is developing with the community of Haines Junction for a new seniors building. The building will provide space for special programs like Home Care, and will be designed to accommodate future expansion.

The YHC Board of Directors also approved the establishment of social housing units for seniors in the Town of Faro. A new local Housing Advisory Board was established to oversee the processing of applications and the allocation of these units.

Funding available from the Affordable Housing Agreement with the Federal Government was directed to initiatives such as the Athletes Village for the 2007 Canada Winter Games and the Falcon Ridge Development. These initiatives will result in more affordable housing units being available in Whitehorse for future generations.

The YHC Board is very appreciative of all those who contributed to improving the quality of housing in the Yukon this year. Support came in many forms: funding from the Yukon Government, financial assistance from Canada, help from representatives of the Yukon Council on Aging and the Yukon Council on Disabilities in evaluating affordable housing applications, and from the many volunteers throughout Yukon who provided energy and expertise on local housing boards. All have made a difference and share in the successes we achieved.

To conclude, I wish to express my gratitude to the staff of YHC who work with clients, deliver relevant programs, analyse emerging housing needs, and develop and present new solutions for the YHC Board's consideration.

Respectfully,

Rudy Couture
Chair, Board of Directors
Yukon Housing Corporation

Our Vision

- To enhance the quality of life in the Yukon by providing safe and affordable housing choices that respond to the needs of Yukon residents.

Minnie Besner, Ross River Housing Manager

Our Mission

- To improve the quality of housing in the Yukon, and to help Yukoners resolve their housing needs.

Our Values

As a corporation, we value and strive to:

- Assist our customers
- Deliver consistent, high quality service
- Foster an environment of mutual respect
- Co-operate through teamwork
- Support development and growth of our people
- Act with integrity and ethical behavior
- Innovate and continually improve service

Alex Brook, Dawson City Housing Manager

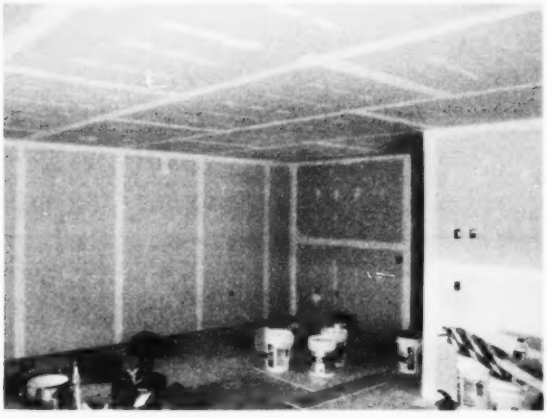
REPORT FROM THE PRESIDENT

In 2005-06, the Chair of the Yukon Housing Corporation (YHC) Board of Directors signed a Protocol Agreement with the Minister Responsible for YHC, and a Letter of Undertaking with the YHC President regarding the expected performance of the Corporation during the year. In this regard, I provide the following report on the Corporation's performance for 2005-06:

Affordable Housing Agreement

The implementation of the Canada-Yukon Affordable Housing Agreement (AHA) was most significant for us in terms of increasing affordable housing stock. The AHA resulted in the preliminary approval of funds with a developer for 44 home ownership units and 20 rental units. In addition, a contribution of $3.5 million to the 2007 Canada Winter Games Athletes Village project helped leverage a $34 million project which is adding 72 units to the housing market in Whitehorse.

The Board of Directors wanted senior-friendly housing as an outcome of the AHA. Forty-eight units of the Athlete's Village project are constructed to YHC's Accommodating Home standards and will be incorporated into YHC's housing portfolio after the Canada Winter Games in 2007. The remaining twenty-four units will be used by Yukon College for student residences.



Seniors Housing

YHC improved on programs for seniors, such as allowing more flexibility within the Rent Supplement Program to assist seniors with affordability problems who prefer not to relocate. YHC can now enter into agreements with the client's landlord so that the client can remain in place.

In Faro, four housing units have been upgraded and are now offered as seniors' social housing. This addresses Faro's priority housing needs.

The YHC Board of Directors also confirmed their support to proceed with a seniors complex in Haines Junction. Work has begun on the design of the building. We expect it will provide six independent living suites for seniors who wish to remain in their community. Community consultations began in late 2005 and we anticipate construction to start in late 2006.

Social Housing eligibility criteria review

The 2004 Social Housing Program review recommended that YHC re-examine the assessment process for client applications, and that YHC needed to target clients because of the limited supply of social housing.

To address this, YHC staff undertook a comprehensive review of the eligibility criteria for social housing. Some of the issues considered were priority housing for victims of violence/abuse, relocation from communities due to medical requirements, minimum age and age of seniors, residency requirements, and former tenant arrears. The report on Social Housing Eligibility Criteria will be presented to the Board of Directors at their June 2006 meeting, with implementation to follow.

Social Housing- Pet Policy

In March 2006, the Board of Directors approved a comprehensive pet policy for all social housing units throughout the Yukon. The new policy allows for pets in social housing units and reflects research undertaken with other jurisdictions and input from tenants. The policy is effective May 1, 2006.

Home Repair Program review

The Board of Directors supported the completion of a review of the effectiveness of the Home Repair Program. This review identified the strengths and weaknesses of the current program, as well as any changes required to maintain high quality programming. The review looked at many aspects of the program such as interest rates, amortization period, level of subsidies and economic impact .The report is scheduled for presentation to the YHC Board of Directors in May 2006. The results will be published in the 2006-07 annual report of YHC.

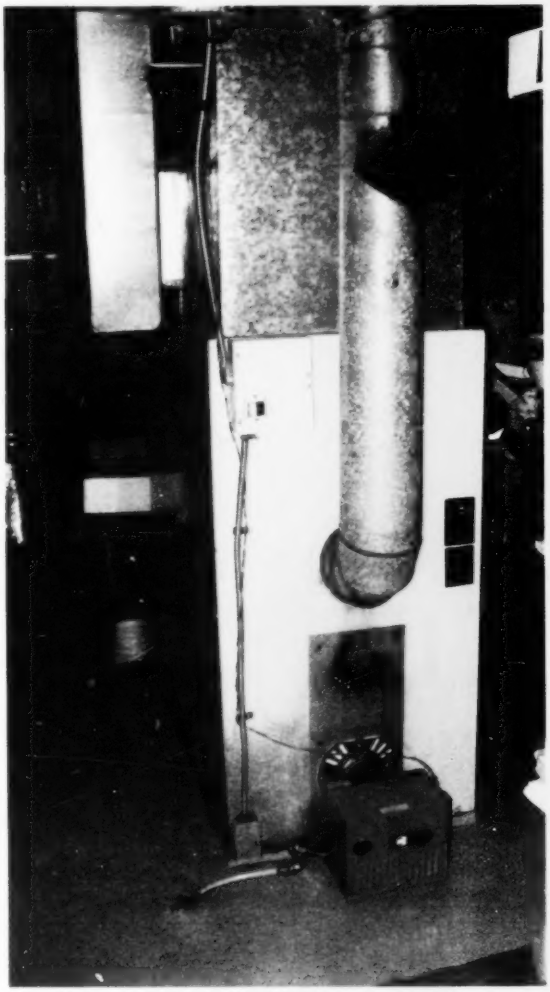
First Nations community partnering initiatives

First Nations capacity development remains a strategic priority of the Corporation. Towards this end, YHC assisted with preparations for the First Ministers' Meeting on Aboriginal Issues. This process effectively quantified and communicated the magnitude of First Nation housing issues to the federal government.

In conjunction with the Ross River Dena Council and CMHC, YHC assisted in conducting a design workshop to help the First Nation with future housing development. YHC also co-sponsors the Northern First Nations Housing Conference, the third of which will be held in Whitehorse in May 2006.

Lending Program Delivery

Our commitment to overall organizational effectiveness was advanced by commencing a comprehensive review of YHC Lending Programs guidelines. Work on revising the guidelines is intended to improve the consistency and efficiency of program delivery. This project will be completed during 2006/07.



Ongoing programming

Yukon Housing Corporation has continued to provide Yukoners with relevant and appropriate programming by:

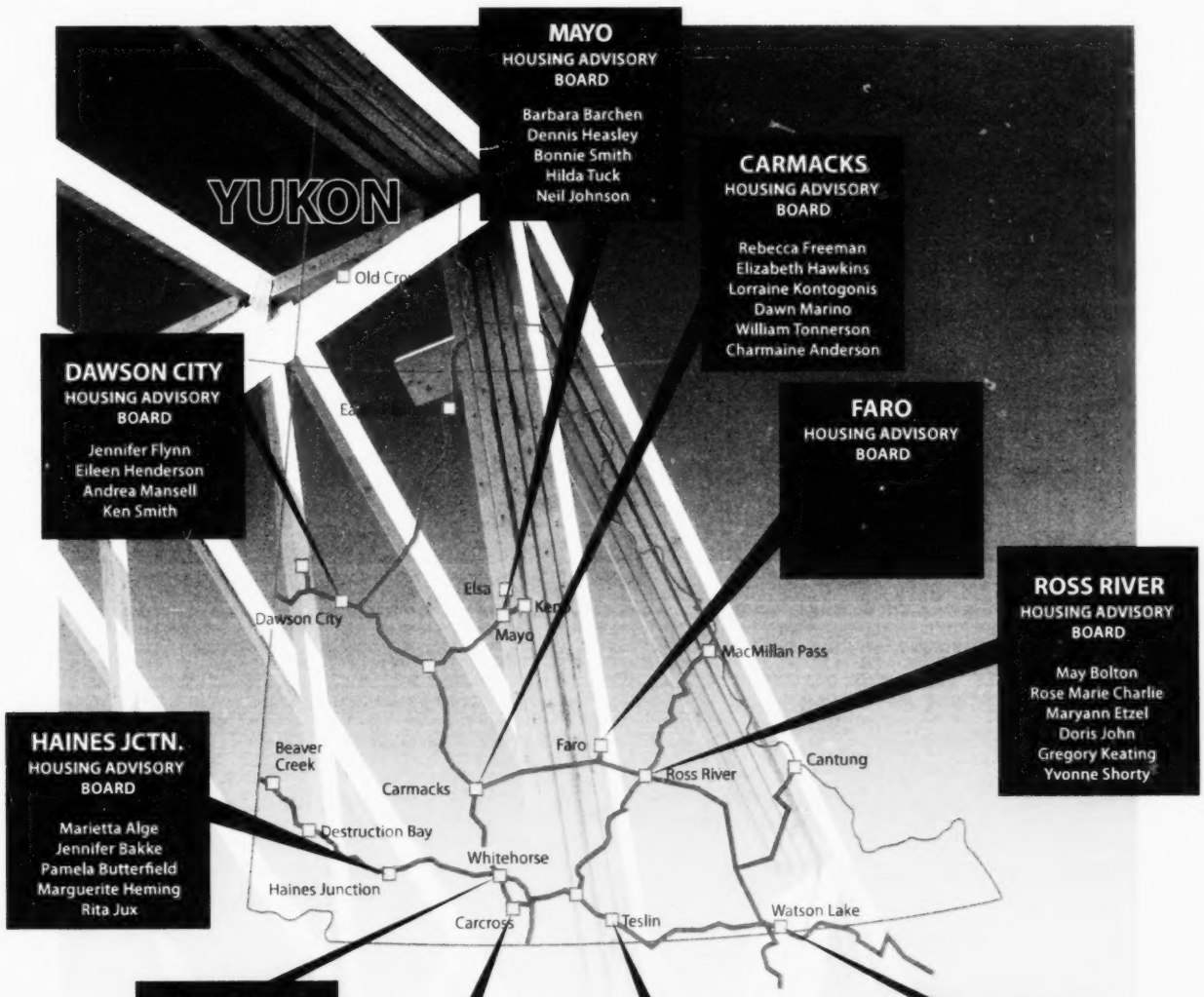
- helping developers to meet their needs through our Joint Venture Program
- offering low and moderate income clients the opportunity to become home owners through the Home Ownership Program
- providing low interest loans to home owners with home repair needs
- offering advice on energy programming and indoor air quality; and
- by providing staff and social housing.

2006-07 Letter of Undertaking

In addition to advancing the initiatives referenced above, priorities for the upcoming year include: the commencement of a study on the affordability of housing in the Yukon, work on the YHC Strategic Plan, the development of a new maintenance management system, and the introduction of performance measurement protocols for all program activities.

I wish to thank the YHC Board of Directors, local Housing Advisory Boards and the YHC staff for their ongoing commitment, guidance and support.

Marc Tremblay
President



MAYO
HOUSING ADVISORY BOARD

Barbara Barchen
Dennis Heasley
Bonnie Smith
Hilda Tuck
Neil Johnson

CARMACKS
HOUSING ADVISORY BOARD

Rebecca Freeman
Elizabeth Hawkins
Lorraine Kontogonis
Dawn Marino
William Tonnerson
Charmaine Anderson

DAWSON CITY
HOUSING ADVISORY BOARD

Jennifer Flynn
Eileen Henderson
Andrea Mansell
Ken Smith

FARO
HOUSING ADVISORY BOARD

ROSS RIVER
HOUSING ADVISORY BOARD

May Bolton
Rose Marie Charlie
Maryann Etzel
Doris John
Gregory Keating
Yvonne Shorty

HAINES JCTN.
HOUSING ADVISORY BOARD

Marietta Alge
Jennifer Bakke
Pamela Butterfield
Marguerite Heming
Rita Jux

WHITEHORSE
HOUSING AUTHORITY

Bev Buckway
Sharon Cooper
Lois Fraser
David Laxton
Janet Leblanc
Linda Moen
Bill Simpson
Jaunita Wood

YUKON HOUSING CORPORATION
Board of Directors

Larry Chalifour
Rudy Couture
Art Deer
Shelley Hassard
Alex Morrison
Lucy Skuba
Reg Steers
Gwen Watson

CARCROSS
HOUSING ADVISORY BOARD

Linda Augustine
Sheila Branigan
Edna Helm
Linda Henry
Eileen Wally

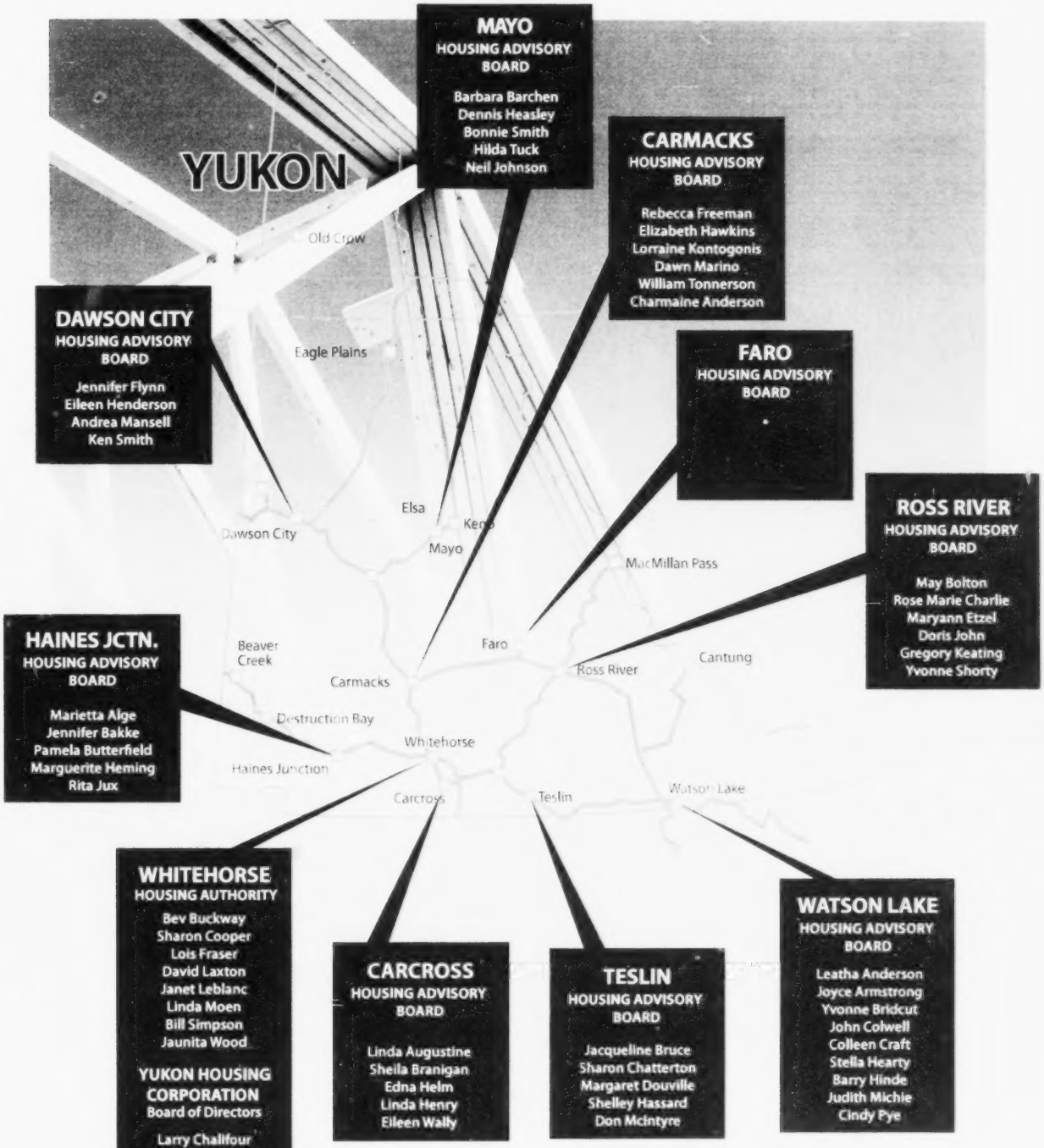
TESLIN
HOUSING ADVISORY BOARD

Jacqueline Bruce
Sharon Chatterton
Margaret Douville
Shelley Hassard
Don McIntyre

WATSON LAKE
HOUSING ADVISORY BOARD

Leatha Anderson
Joyce Armstrong
Yvonne Bridcut
John Colwell
Colleen Craft
Stella Hearty
Barry Hinde
Judith Michie
Cindy Pye

Note: Each Housing Advisory Board is allowed up to five members, and the Whitehorse Housing Authority and the YHC Board of Directors are allowed seven. The people listed above served during the fiscal year, although not necessarily concurrently. *Faro Housing Advisory Board created March 2006 with appointments to follow the new fiscal year.



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CORPORATE PROFILE

Yukon Housing Corporation was established in 1972 under the *Housing Corporation Act*.

The role of the Corporation is to:

- Help Yukon residents obtain appropriate accommodation;
- Work with the housing industry in developing effective solutions to the housing needs of Yukoners;
- Foster community participation in the design, development and delivery of housing programs; and
- Administer the Government of Yukon staff housing and employee buy-back programs.

The Corporation is accountable to the citizens of the Yukon through its Board of Directors. The Board is comprised of a chair, a deputy-chair and directors appointed by the Executive Council of the Yukon Government. The Board is in turn responsible to the Legislature through the Minister Responsible for Yukon Housing Corporation.

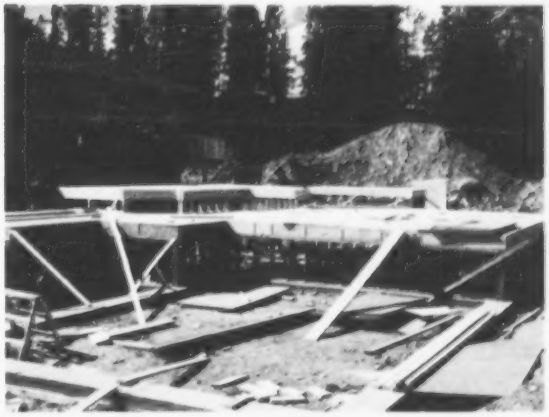
The Department of Community Services was established in April 2002, with the mandate to create close alignments with Yukon Housing Corporation and Yukon Liquor Corporation. The alliance strengthens the Government of Yukon's abilities to build capacity and to deliver quality programs and services in the communities.

The Deputy Minister of Community Services serves as President of Yukon Housing Corporation and Yukon Liquor Corporation. To achieve a consistent level of service, administration and communication, the three organizations share corporate services in the areas of Human Resources, Finance, and Policy and Communication. The President reports to the Minister Responsible for Yukon Housing Corporation on all activities of the corporation.

Programs and Services

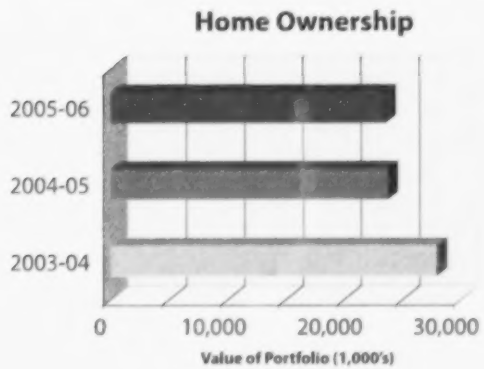
During the course of the fiscal year, Yukon Housing Corporation provided a comprehensive assortment of programs and services to Yukoners. The focus of the corporation continues to be in the areas of social and staff housing, education, as well as consumer and corporate lending.

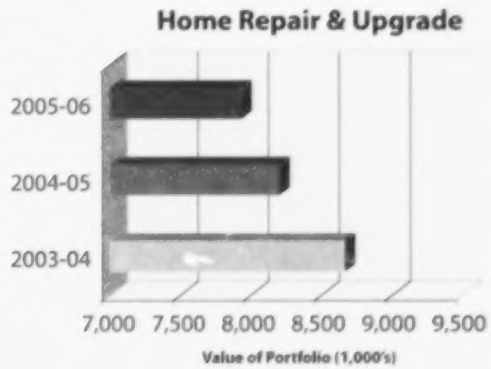
The following profiles detail the intent of the program or service, and where applicable, information on client uptake.



HOME OWNERSHIP PROGRAMS	Number of Applicants		
	2005-06	2004-05	2003-04
Home Ownership (Mortgage Financing) Provides conventional mortgage financing requiring only a 2.5% down-payment.	158	139	158
Green Mortgage Provides a reduced interest rate for energy-efficient homes for either new home construction or an upgrade of an existing home.	13	14	5
Accommodating Home Mortgage Mortgage financing with a tiered interest rate reflective of the level of accessibility features included in a newly constructed home.	11	0	0
Owner-Build Assists clients in building their own homes by providing construction financing for up to two years. The client contributes labour and takes YHC's self-help building course(s), unless they possess demonstrated project management skills.	6	7	4
Home Completion Provides funding for home owners in rural Yukon to complete home construction.	2	6	3
Mobile-Home Equity Exchange Assists mobile-home owners in rented stalls whose current living conditions are below standard.	0	0	0
Mobile-Home Ownership Works with the Mobile-Home Equity Exchange Program to assist low-income mobile-home owners in rented stalls to obtain home ownership on titled property.	0	0	1
Mobile-Home Relocation Assists mobile-home owners to relocate from a rented stall onto titled property.	0	0	0
Extended Mortgage Guarantee Provides Yukoners residing in rural communities with access to insured mortgage financing through local banks for new home construction. Combines existing mortgage insurance available through CMHC with mortgage insurance from YHC.	0	0	0

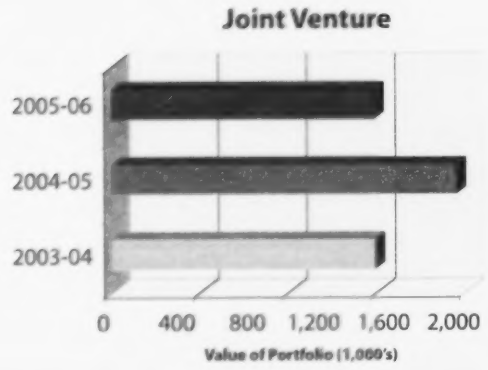
HOME REPAIR AND UPGRADE PROGRAMS	Number of Applicants		
	2005-06	2004-05	2003-04
Home Repair Provides low interest loans up to $35,000 to bring homes up to current standards. Low-income households may also receive further assistance.	193	193	178
Home Repair Enhancement Assists those seeking over $35,000 for repairs.	2	7	2
Mobile-Home Upgrade and Emergency Repair Assists mobile home owners located on rented property to make repairs to a minimum standard.	20	10	15
Residential Energy Management Assists home owners to replace existing electrical heating systems with an alternative system by providing low interest loans.	6	10	17

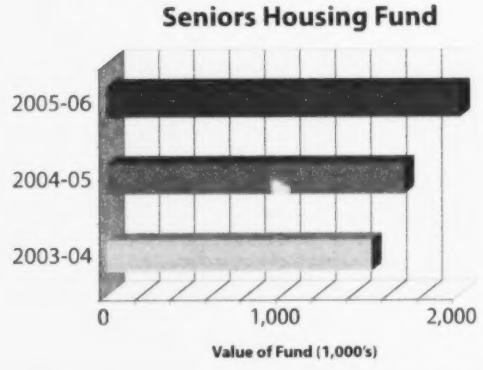




EDUCATION & TRAINING	Number of Applicants		
	2005-06	2004-05	2003-04
HRAI Ventilation, Combo Heating and Heat Loss Calculation Series These certification courses are offered to designers, installers and service people in the residential building industry, to provide upgrading to ventilation and heating equipment.	25	20	1
EnerGuide and R-2000 Builder Updates and Workshops These workshops cover the principles of building high quality, energy efficient, healthy homes.	2	3	N/A
Self-Help Course This course provides basic information/education on managing home construction and renovation. This course is co-sponsored with Yukon College.	17	23	10

INDUSTRY PARTNERING	Number of Applicants		
	2005-06	2004-05	2003-04
Joint Venture Increases the supply of modestly priced housing by entering into partnership with private sector developers for housing and/or development projects.	4	0	8
Rental Rehabilitation Assists landlords to upgrade rental accommodation to current standards, increase energy efficiency, and improve accessibility for seniors and those with disabilities.	10	5	6
Rental Suite Assists home owners to build a rental suite where market conditions warrant or to upgrade an existing suite.	6	7	3
EnerGuide for Housing Audits Assists clients in identifying repair and upgrade options that will save on energy costs. Private sector auditors trained by YHC conduct EnerGuide audits. Audit costs are cost-shared by YHC, Natural Resources Canada and the client.	159	174	713



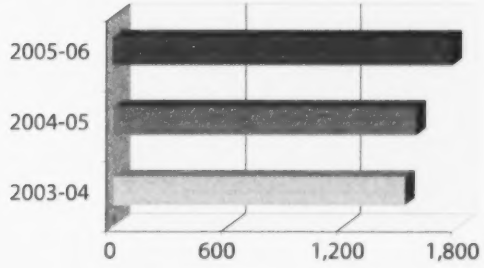


Gwen Wally,
Carcross Housing Manager

Debbie Hotte,
Senior Housing Manager

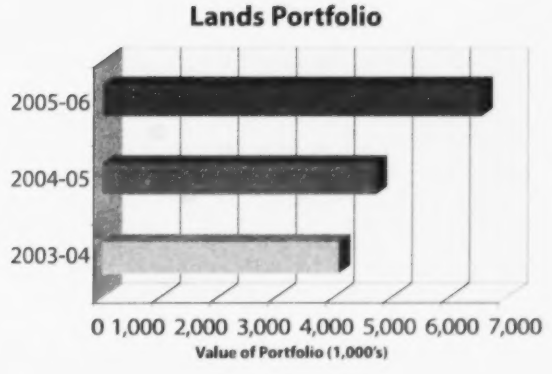
Shona Mostyn
A/Program Manager

Staff and Social Housing Maintenance



STAFF HOUSING PROGRAM	Number of Staff Housing Units		
Housing is rented to Yukon Government Employees in the following rural communities:	2005-06	2004-05	2003-04
Beaver Creek	3	3	3
Carcross	4	4	4
Carmacks	16	16	16
Dawson City	25	24	23
Destruction Bay	2	2	2
Faro	14	23	23
Haines Junction	6	6	6
Mayo	7	7	7
Old Crow	7	7	7
Pelly Crossing	6	6	6
Ross River	13	13	13
Teslin	10	10	10
Watson Lake	31	31	31
Total:	**144**	**152**	**151**

SOCIAL HOUSING PROGRAM	Number of Social Housing Units		
Housing is rented to eligible Yukon clients in the following communities:	2005-06	2004-05	2003-04
Carcross	6	6	6
Carmacks	18	18	18
Dawson City	66	66	66
Faro	4	0	0
Haines Junction	13	13	13
Mayo	19	23	23
Ross River	15	15	15
Teslin	13	13	13
Watson Lake	33	33	33
Whitehorse	327	316	321
Total:	**514**	**503**	**508**



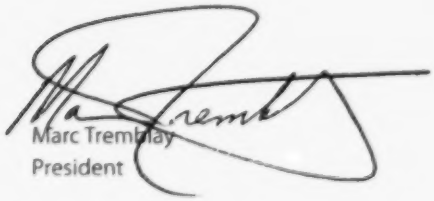
Management's Responsibility for Financial Statements

The financial statements contained in this annual report have been prepared by management in accordance with Canadian generally accepted accounting principles, and the integrity and objectivity of the data in these financial statements are management's responsibility.

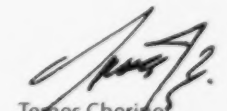
In support of its responsibility, management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled and that transactions are in accordance with the *Financial Administration Act* as well as the *Housing Corporation Act* and the by-laws of the Corporation.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibility through the Financial Management Committee, which meets on a periodic basis with management and the independent external auditor to review the manner in which these groups are performing their responsibilities, and to discuss auditing, internal controls, and other relevant financial matters. The Financial Management Committee reviews the audited financial statements with the external auditor before making recommendations to the Board of Directors for their approval.

The Corporation's external auditor, the Auditor General of Canada, is responsible for auditing the financial statements and issuing a report which is included with the financial statements. The Auditor General of Canada provides her report to the Minister responsible for Yukon Housing Corporation.



Marc Tremblay
President



Tomes Cherinet
Director, Finance and Administration

September 14, 2006

Auditor General of Canada
Vérificatrice générale du Canada

To the Minister responsible for the
Yukon Housing Corporation

I have audited the balance sheet of the Yukon Housing Corporation as at March 31, 2006 and the statements of equity, operations, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Housing Corporation Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations, the *Housing Corporation Act*, and the by-laws of the Corporation.

Roger Simpson, FCA
Principal
for the Auditor General of Canada

Vancouver, Canada
September 14, 2006

Balance Sheet
as at March 31, 2006

	2006	2005
	In Thousands	
Assets		
Current		
Cash (Note 3)	$ 5,103	$ 3,994
Due from Canada Mortgage and Housing Corporation	871	377
Accounts receivable - other	569	565
Mortgages receivable - current portion (Note 4)	6,020	5,094
Housing held for sale (Note 5)	136	1,038
	12,699	11,068
Seniors' Housing Management Fund (Note 6)	2,050	1,684
Mortgages, agreements and loans receivable (Note 4)	32,737	35,244
Capital assets (Note 7)	24,426	26,166
	$ 71,912	$ 74,162
Liabilities		
Current		
Accounts payable	$ 1,541	$ 1,456
Due to Government of Yukon	323	585
Current portion of long-term debt (Note 8)	7,414	5,728
	9,278	7,769
Seniors' Housing Management Fund (Note 6)	2,050	1,684
Employee future benefits (Note 9)	441	431
Deferred Revenue from Canada Mortgage and Housing Corporation	2,358	1,328
Deferred capital funding from Government of Yukon (Note 10)	6,831	6,763
Long-term debt (Note 8)	38,838	40,139
	59,796	58,114
Equity		
Equity of Government of Yukon	12,116	16,048
	$ 71,912	$ 74,162

Commitments and contingencies (Note 14)

Approved by the Board of Directors

Director R. A. Steers Director

The accompanying notes and schedules are an integral part of these financial statements.

Statement of Operations and Equity
year ended March 31, 2006

	2006	2005
	In Thousands	
Revenues		
Recoveries - cost-shared agreements	$ 4,630	$ 4,232
Rental income	3,374	3,333
Interest income	2,043	2,208
Recoveries-CMHC Affordable Housing	2,625	-
	12,672	9,773
Expenses		
Program costs (Schedule)	4,932	4,415
Personnel	2,426	2,255
Interest on long-term debt	1,781	1,908
Amortization	2,375	3,927
Administration (Schedule)	552	636
Affordable Housing Contribution Costs	2,625	-
Corporate Shared Services Costs	1,476	1,402
Loss on disposal of tangible assets	14	-
	16,181	14,543
Net results of operations before government funding	(3,509)	(4,770)
Government of Yukon funding		
Operating grant	2,874	3,947
Amortization of deferred capital funding	635	823
	3,509	4,770
Net results of operations after government funding	$ -	$ -
Equity, beginning of year	$ 16,048	$ 18,008
Funding repaid to Government of Yukon (Note 11)	(3,932)	(1,960)
Equity, end of year	$ 12,116	$ 16,048

The accompanying notes and schedules are an integral part of these financial statements.

Statement of Cash Flows
year ended March 31, 2006

	2006	2005
	In Thousands	
Operating activities		
Net results of operations after government funding	$ -	$ -
Adjustment for non-cash items		
Increase (decrease) in employee future benefits	10	(31)
Increase in deferred revenue	1,030	852
Amortization of capital assets & write downs	2,375	3,927
Amortization of deferred capital funding	(616)	(823)
Non Cash contributions, disposals and write offs	52	-
	2,851	3,925
Changes in non-cash components of working capital	(703)	(960)
Cash flows from operating activities	2,148	2,965
Investing activities		
Additions to housing projects	(738)	(579)
Additions to computer systems, furnishings, equipment & office building	(50)	(99)
Additions to mortgages and agreements receivable	(6,919)	(6,513)
Repayments of mortgages and agreements receivable	9,426	10,202
Cash flows from investing activities	1,719	3,011
Financing activities		
Repayment of long-term debt - rental housing units and office building	(1,096)	(1,145)
Land sales payable to Yukon Government	1,482	1,190
Repayment and reduction of long term debt-other		(806)
Funding for the acquisition of capital assets	788	679
Funding repaid to Government of Yukon (Note 11)	(3,932)	(1,960)
Cash flows used in financing activities	(2,758)	(2,042)
Increase in cash	1,109	3,934
Cash at beginning of year	3,994	60
Cash at end of year	$ 5,103	$ 3,994
Supplemental Disclosure of Cash Flows Information		
Interest paid	$ 1,781	$ 1,908
Interest received	2,043	2,208

The accompanying notes and schedules are an integral part of these financial statements.

Notes to the Financial Statements
year ended March 31, 2006

1. Authority and mission

Yukon Housing Corporation (the "Corporation") was established in 1972 by the *Housing Corporation Act* of the Yukon Territory to undertake and assist in the provision, development, maintenance and management of housing.

The mission of the Corporation is to improve the quality of housing in the Yukon and help Yukoners resolve their housing needs.

In carrying out its mission, the Corporation provides low rental housing which generates operating losses. The Corporation also provides loans for the purpose of housing. The Corporation is dependent on the Government of Yukon for funding its operations.

Pursuant to Order-in-Council 1982 / 343, the Whitehorse Housing Authority (the Authority) was created and designated as an agent of the Corporation. The Authority operates, manages and administers social housing units in the City of Whitehorse on behalf of the Corporation.

Pursuant to Section 42 (2) of the *Housing Corporation Act,* the Corporation has established Housing Advisory Boards in the communities of Carcross, Carmacks, Dawson City, Faro, Haines Junction, Mayo, Ross River, Teslin and Watson Lake. Local Housing Advisory Boards are established for the purpose of involving local community members in the decision making process regarding housing in their community. They provide advisory, regulatory and adjudicative services to the Corporation.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies follow:

(a) Grant provided by Government of Yukon

The *Housing Corporation Act* authorizes the Government of Yukon to pay the Corporation an operating grant equal to the net loss from operations. The net loss from operations is equal to the Net results of operations before government funding less the Amortization of deferred capital funding, in the statement of operations. The portion of the funding used to purchase depreciable assets is recorded as deferred capital funding and amortized on the same basis and over the same periods as the related capital assets. Funding provided in excess of the operating grant is recorded as equity.

(b) Mortgages, agreements and loans receivable

Under the Home Repair Program, the Corporation may subsidize a debtor's repayment. These subsidies, reviewed annually, are based on the debtor's ability to pay. Mortgages receivable under the Home Repair Program are stated at estimated realizable value after providing allowances for payment subsidies.

Mortgages receivable under the Home Ownership Program are fully secured and are recorded at cost.

Mortgages receivable under the Rural and Native Housing Home Ownership Programs are stated at cost. Under the Social Housing Agreement (SHA) signed with Canada Mortgage and Housing Corporation (CMHC) in 1998, the Corporation may be required to subsidize a debtor's repayment of a Rural and Native Housing Home Ownership mortgage; CMHC annual cost-shared funding provided to the Corporation includes an amount for subsidies.

Based on historical loss experience, management considers it necessary to establish an allowance for impaired loans. Loans are classified as impaired when: (1) the Corporation no longer has reasonable assurance of timely collection of the full amount of principal and interest due or (2) payments are 90 days or more in arrears, except in those cases where, in the opinion of management, there is justification to continue to accrue interest. Where appropriate, an impaired loan allowance has been established to adjust the loan carrying value to the net realizable amount.

Land sales agreements, which pertain to loans receivable from lots sold to purchasers for residential, commercial and recreational purposes, are recorded at cost.

(c) Housing held for sale

The development of Mountain View Place, consisting of titled mobile housing lots, is valued at the lower of cost and net realizable value.

Housing held for sale includes houses repossessed under the Home Ownership Program and the Rural and Native Housing Home Ownership program. These houses are recorded at the lower of cost and net realizable value.

(d) Capital assets

Capital assets are valued at cost, net of contributions from outside agencies and accumulated amortization. Interest on loans during construction of capital assets is capitalized.

Amortization is calculated using the straight-line method, over the estimated useful lives of assets.

Social housing projects	35 years
Social housing betterment not financed by long-term debt	15 years
Staff housing projects and other facilities:	
Standard construction	35 years
Mobile home units	15 years
Office building	20 years
Other facilities	15 years
Furnishings and equipment	5 years
Computer systems	3 years

(e) Deferred revenue

Deferred revenue are recognized as follows:

Funding provided by Canada Mortgage and Housing Corporation (CMHC) under the Social Housing Agreement for future housing related projects and losses on interest and mortgage guarantees will be recognized on a straight line basis over the remaining life of the agreement. Any CMHC funding not expended will be recognized as related future expenses are incurred.

Funding provided by CMHC for the affordable housing program in the current year will be recognized when the Corporation becomes responsible for certain senior housing units in 2007/2008.

(f) Employee future benefits

Employee future benefits - other non-pension benefit plans

Under the conditions of employment, employees of the Corporation qualify for and earn employment benefits for vacation, sick and compensatory leave, travel bonus and severance benefits. The benefit obligation was determined on an actuarial basis. The obligation was calculated using the projected benefit method prorated on service.

(f) Employee future benefits (continued)

Pensions

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contribution to the Plan reflects the full cost as employer. This amount is currently based on a multiple of the employees' required contributions, and may change over time depending on the experience of the Plan. The contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

(g) Asset retirement obligations

Pursuant to section 3110 of the Canadian Institute of Chartered Accountants, the fair value of liabilities for asset retirement obligations is recognized in the period they are incurred. The fair value is added to the carrying amount of the associated asset and depreciated over the asset's useful life. The Corporation is in the process of making an inventory of all potential asset retirement obligations. If a legal obligation is found to exist, and a reasonable estimate can be made it will be booked in the future periods.

(h) Recoveries - cost-shared agreements

Under the Social Housing Agreement signed with Canada Mortgage and Housing Corporation (CMHC) in 1998, the Corporation has entered into cost-sharing agreements whereby operating deficits of certain housing projects are cost shared with CMHC. The Corporation has also entered into cost-sharing agreements to share the operating deficits of certain housing projects with the City of Whitehorse.

(i) Mortgage interest recognition

Interest income on mortgages is recorded on an accrual basis. When a mortgage becomes impaired, recognition of interest ceases. Thereafter interest income is recognized on a cash basis.

(j) Rental and funding income recognition

Income from rentals and funding from Canada Mortgage and Housing Corporation are recorded on an accrual basis.

(k) Management estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could significantly differ from these estimates. Estimates are used when accounting for matters such as impaired loans, allowances for payment subsidies for Home Repair Loans, amortization, employee future benefits and contingencies.

(l) Future Accounting Changes - Financial Instruments

In January 2005, the Canadian Institute of Chartered Accountants (CICA) issued three new accounting standards: Section 3855 Financial Instruments - Recognition and Measurement; Section 3865 Hedges; and Section 1530 Comprehensive Income. These sections are currently being assessed to determine the applicability and impact on the Corporation's financial statements. They must be adopted for fiscal years on or after October 1, 2006. The new requirements are as follows: Section 3855 - prescribes standards for recognizing and measuring financial instruments on the Balance Sheet and how related gains and losses are to be presented; Section 3865 - modifies the timing of recognizing gains or losses under Section 3855 to permit the matching of gains and losses in the Statement of Operations for financial instruments included in highly effective hedging transactions; and Section 1530 - introduces a new component of Shareholder's Equity and a new Statement of Comprehensive Income that will present certain gains and losses arising from the application of Sections 3855 and 3865, before they are transferred to the Statement of Operations.

3. Cash

The Corporation has an operating demand overdraft facility with its banker of up to $11,000,000 at bank prime. At year-end, the bank prime rate was 5.50% (2005 - 4.25%). The overdraft facility is guaranteed by Government of Yukon.

4. Mortgages, agreements and loans receivable

	Stated % interest rates	2006	2005
		In Thousands	
Mortgages Receivable			
Home Ownership	3.08 - 8.25	$ 21,404	$ 23,718
Loans with terms up to five years, secured by registered charges against real property, repayable in blended weekly, bi-weekly or monthly payments at fixed rates of interest and with maturities up to 2011. Rural and Native Home Ownership mortgages receiving subsidies (see Note 2 b) at March 31, 2006 were $1,505,943. (March 31, 2005 - $1,843,302).			
Owner Build	0 - 6.75	2,162	2,453
Loans with terms up to five years, secured by registered charges against real property, at fixed rates of interest ranging from 0% to the full Home Ownership mortgage rate with maturities up to 2010.			
Repair & Upgrade	1.00 - 8.25	7,857	8,191
Loans with terms up to twelve years, secured by registered charges against real property or chattel mortgages, repayable in blended weekly, bi-weekly or monthly payments at fixed rates of interest with maturities up to 2016. Mortgages receiving subsidies and forgiveness at March 31, 2006 were $1,319,672 (March 31, 2005 - $1,539,562).			
Energy Management	1.00 - 2.75	120	234
Loans with terms up to six years, secured by registered charges against real property or chattel mortgages, repayable in blended monthly payments at fixed rates of interest with maturities up to 2011.			
Housing Industry Loans	1.90 - 5.0	1,476	1,940
Loans with terms up to 18 years, secured by registered charges against real property or general security agreements, repayable in blended monthly payments at fixed rates of interest with maturities up to 2022.			

	Stated % interest rates	2006	2005
		In Thousands	
Subtotal mortgages receivable		$ 33,019	$ 36,536
Less: Allowances for payment subsidies for Home Repair loans		1,244	1,153
Less: Allowances for impaired loans		89	93
Total mortgages receivable		31,686	35,290
Land sales agreements receivable	4.75 - 7.75	7,071	5,048
Loans on residential, commercial and recreational lots, repayable in blended annual payments at fixed rates of interest with maturities up to 2011.			
Total mortgages, agreements and loans receivable		38,757	40,338
Less: Current portion		6,020	5,094
		$ 32,737	$ 35,244

These investments earn interest at the following weighted average rates:

	2006	2005
Mortgages receivable	4.84%	5.20%
Land sales agreements receivable	5.33%	5.13%

5. Housing held for sale

	2006	2005
	In Thousands	
Mountain View Place	$ -	$ 535
Other housing inventory	136	503
	$ 136	$ 1,038

6. Seniors' Housing Management Fund

The Seniors' Housing Management Fund was established under section 7 of the *Housing Corporation Act* to provide for the future housing needs of Yukon's seniors. The Government of Yukon approved the establishment of the Fund in October 2000.

The Fund receives Government of Yukon funding through an annual appropriation and an appropriation equal to interest revenue generated by the Corporation's Green Mortgage Program and interest revenue earned on monies held within the Fund. The Corporation has not yet secured Government of Yukon approval on the parameters for the operation of the fund; there have been no payments made out of the Fund.

Changes in the Seniors' Housing Management Fund are as follows:	2006	2005
	In Thousands	
Balance at beginning of year	$ 1,684	$ 1,334
Government of Yukon annual appropriation	100	100
Government of Yukon appropriation equal to interest revenue earned on Green Mortgage Program	213	219
Interest revenue earned on monies held within the Fund	53	31
Balance at end of year	$ 2,050	$ 1,684

7. Capital assets

			2006	2005
			In Thousands	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Social housing	$ 32,621	$ 18,241	$ 14,380	$ 16,294
Staff housing	13,214	5,973	7,241	7,017
Office building	1,840	582	1,258	1,313
Land	1,451	-	1,451	1,389
Other facilities	768	729	39	49
Furnishings and equipment	95	65	30	32
Computer systems	61	34	27	72
	$ 50,050	$ 25,624	$ 24,426	$ 26,166

Canada Mortgage and Housing Corporation (CMHC) funding used to purchase capital assets is deducted from the cost of the asset. CMHC funding allocated to capital assets during 2006 was $400,000 (2005 - $250,000).

8. Long-term debt

	Stated % interest rates	2006	2005
		In Thousands	
Mortgages payable (guaranteed by the Government of Yukon)	4.32 - 12.50	$ 17,762	$ 18,635
Loans with a variety of terms, secured by fixed charges against housing projects, repayable in blended monthly payments at fixed rates of interest and with maturities up to 2023.			
CMHC loans (guaranteed by the Government of Yukon)	5.00 - 13.25	3,985	4,194
Loans repayable in blended annual payments at fixed rates of interest to maturity, and with maturities up to 2028			
Loans payable - Government of Yukon	0.00	17,130	17,145
Repayable without interest in periodic installments to 2027.			
Land sales agreements due to Government of Yukon	0.00	7,375	5,893
Repayable without interest in equal periodic installments to 2009.			
Total long-term debt		46,252	45,867
Less: Current portion		7,414	5,728
		$ 38,838	$ 40,139

The mortgages and loans payable bear interest at the following weighted average interest rates:

	2006	2005
Mortgages payable	8.03%	8.25%
CMHC loans	8.76%	8.78%

Principal repayments required over the next five years are as follows:

	CMHC Loans	Mortgages	Government of Yukon Loans	Land Sales Agreements	Total
			In Thousands		
2007	230	$ 1,073	$ 1,222	$ 4,889	$ 7,414
2008	251	1,008	618	777	2,654
2009	275	1,075	618	613	2,581
2010	301	1,122	618	568	2,609
2011	305	1,223	618	526	2,672

9. Employee future benefits

	2006	2005
	In Thousands	
Other non-pension benefit plans		
The Corporation provides non-pension benefits to its employees based on years of service and salary. Employee future benefits are a defined benefit plan and are not funded. There are no assets resulting in a plan deficit equal to the accrued benefit obligation. The results measured at the balance sheet date are summarized as follows:		
Accrued benefit liability, beginning of year	$ 547	$ 586
Add: Cost for the year	94	159
Less: Benefits paid by Yukon Housing	(22)	(135)
Unamortized experience gains	(55)	(63)
Accrued benefit liability, end of year	$ 564	$ 547
Accrued Benefits Liability Payable		
Short-term portion, included in accounts payable	$ 123	$ 116
Long term portion	441	431
	$ 564	$ 547
The significant actuarial assumptions were:		
Discount rate	5.75%	6.00%
Salary	3.00%	2.50%
Annual rate of inflation	2.20%	2.50%
The most recent actuarial valuation made for these non-pensions benefit plans was as of March 31, 2006. The next required valuation would be as of March 31, 2009.		
Pensions		
The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. Contributions during the year were as follows:		
Employer's contribution	$ 188	$ 207
Employees' contribution	103	98

10. Deferred capital funding from Government of Yukon

Deferred capital funding represents the unamortized portion of Government of Yukon funding used to purchase depreciable capital assets.

Changes in the deferred capital funding balance are as follows:		2006	2005
		In Thousands	
Balance at beginning of year		$ 6,763	$ 6,907
Add:	Funding used to purchase depreciable capital assets	788	679
	Non Cash Contribution (building)	151	-
Less:	Unencumbered assets amortization	(635)	(823)
	Disposals and asset write down	(236)	-
Balance at end of year		$ 6,831	$ 6,763

11. Funding repaid to Government of Yukon

	2006	2005
	In Thousands	
Cash advances from Government of Yukon	$ -	$ 3,160
Repayment of advances	-	-
Operating grant	(2,874)	(3,947)
Funding used to purchase capital assets (Note 10)	(788)	(679)
Funding invested in Seniors' Housing Management Fund	(366)	(350)
Capital funding disposals and writedowns	96	-
Cash operating advances (refunded to) or owed by Government of Yukon	-	(144)
Funding repaid to Government of Yukon	$ (3,932)	$ (1,960)

12. Financial instruments

The fair values of the financial instruments were determined using the present value of future cash flows discounted at the March 31, 2006 average market rate for mortgages and loans with similar maturities.

The balances in Due from Canada Mortgage and Housing Corporation, Accounts receivable - other, Accounts payable and Due to Government of Yukon are non-interest bearing and have fair values that approximate their carrying amount due to their short term to maturity.

The carrying amount and estimated fair values of the financial instruments are as follows:

	2006		2005	
	In Thousands			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term investments				
Mortgages receivable net of allowances for payment subsidies on Home Repair loans and loan impairments	$ 31,686	$ 32,191	$ 35,290	$ 34,504
Land sales agreements receivable	7,071	6,388	5,048	4,708
	$ 38,757	$ 38,579	$ 40,338	$ 39,212
Long-term debt				
Mortgages payable	$ 17,762	$ 18,916	$ 18,635	$ 19,435
CMHC loans	3,985	4,291	4,194	4,450
Loans payable - Government of Yukon	17,130	7,546	17,145	7,642
Land sales agreements due to Government of Yukon	7,375	6,693	5,893	5,427
	$ 46,252	$ 37,446	$ 45,867	$ 36,954

These financial instruments do not have active markets. The fair value of these instruments may not reflect realizable amounts.

The balances in Due from Canada Mortgage and Housing Corporation, Accounts receivable - other, Accounts payable and Due to Government of Yukon are the result of transactions incurred in the normal course of business and have no significant credit risks.

Until settled, the fair value of mortgages, agreements and loans receivable will fluctuate based on changes in interest rates. Management believes that unrealized losses are short term in nature and the carrying amount of mortgages, agreements and loans receivable will be fully recovered. In the event there are any unrealized gains and losses on these financial instruments, they will be included in the statement of operations when realized.

13. Related party transactions

The Corporation is related in terms of common ownership to all Government of Yukon departments, corporations and agencies. In addition to those related party transactions, disclosed elsewhere in these financial statements, the Corporation enters into transactions with related entities in the normal course of business.

The Corporation is party to a Shared Services arrangement with two other government organizations which consolidates functions such as finance and administration, policy and human resources services. The amount charged by the Government of the Yukon to the Corporation for shared services for the year 2006 was $1,476,468 (2005- $1,402,000). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

14. Commitments and contingencies

	2006	2005
	In Thousands	
Outstanding contractual obligations to complete the funding of mortgages receivable as at March 31.	$ 1,253	$ 1,044
Payment to Government of Yukon for a Canada Games building	875	-
Subsidies to private social housing organizations	428	428

Pursuant to a Supreme Court of the Yukon Territory court order, the Corporation was appointed Receiver/ Manager of an independent third party entity the Whitehorse Housing Co-operative Association Limited effective December 9, 2003.

Pursuant to an agreement signed with Canada Mortgage and Housing Corporation in 1998, the Corporation is liable for a mortgage payable by the Whitehorse Housing Co-operative in 2006 for $1,259,000 (2005-$1,301,000) if it goes into default. Management believes that the Corporation will be able to repay the mortgage in full through the sale of the houses (against which the mortgage is made) in the event of default.

The Corporation purchases insurance for all capital assets that are quadruplexes and larger. This accounts for 247 out of 655 units in total with a net book value of $10,135,922. The balance of units are self insured with the Government of Yukon.

In the normal course of operations, the Corporation is subject to legal claims and possible claims and no provision for any claim is included in these financial statements.

15. Mortgage guarantees

The cost of house construction often exceeds the market value of that house in Yukon communities. Canada Mortgage and Housing Corporation provides mortgage insurance for up to 95% of the market value of a new home. Under the Extended Mortgage Guarantee Program, the Corporation will insure for up to 95% of the cost of a new house, therefore enabling rural Yukon residents to have access to insured mortgage financing.

The contingent liability for mortgage guarantees under this program as at March 31, 2006 is $163,000 (2005 - $163,000).

16. Government of Yukon transfer payments

The following table reconciles funding provided by the Government of Yukon as shown in these financial statements to that recorded by the Government in its Public Accounts.

	2006	2005
	In Thousands	
Government of Yukon - Operations and Maintenance transfer payment		
Net results of operations before government funding	$ 3,509	$ 4,770
Add recovery - Mountain View Place inventory valuation allowance	-	173
Less amortization	(2,375)	(3,927)
Less Program costs - Other		
Home Repair mortgage provision for payment subsidies expense	(285)	(155)
Add Seniors' Housing Management Fund investment - Government of Yukon appropriation (equal to interest earned on Green Mortgage Program and monies held within the fund)	266	250
Add Deferred Revenue C.M.H.C. Affordable Housing	149	-
Add Government of Yukon non cash contribution (Land)	73	-
Government of Yukon - Operations and Maintenance transfer payment	$ 1,337	$ 1,111
Government of Yukon - Capital transfer payment		
Recovery of Mountain View Place inventory valuation allowance	-	(173)
Program costs - Other		
Home Repair mortgage provision for payment subsidies expense	285	155
Add Seniors' Housing Management Fund investment - Government of Yukon appropriation	100	100
Add funding provided to repay principal portion of long term debt	1,097	1,145
Add funding provided to purchase depreciable capital assets (Note 10 and 11)	788	679
Less Net Book Value of disposed assets	(236)	-
Government of Yukon - Capital transfer payment	$ 2,034	$ 1,906

17. Comparative figures

Certain comparative figures for 2005 have been reclassified to conform with the 2006 presentation.

Schedule of Program Costs and Administration Expenses
year ended March 31, 2006

	2006	2005
	In Thousands	
Program costs		
Housing operations		
General maintenance	$ 1,764	$ 1,559
Utilities	1,339	1,267
Property taxes	492	485
Subsidies - Private social housing organizations	347	421
Direct lending program administration	223	211
Garbage collection and janitorial	164	160
Insurance	135	135
Property rentals	125	105
Housing program administration	25	22
Bad debts - housing operations including rental tenants	33	48
	4,647	4,413
Other		
Home Repair mortgage provision for payment subsidies expense	285	155
Non-recoverable land development costs	-	(173)
Housing project improvements	-	20
	285	2
	$ 4,932	$ 4,415
Administration expenses		
Rentals - office and equipment	$ 177	$ 203
Professional fees	21	106
Travel and transportation	105	88
Computer services	63	81
Communications	73	74
Office and sundry	57	50
Boards and committees	35	26
Program promotion	21	9
	$ 552	$ 636

Schedule of Bad Debt Write-offs
year ended March 31, 2006

Tenant Receivables Written Off	Amount		
Anderson, Ryan & Atlin, Margar	$ 4,115	Jim, David	1,082
Andre, Yvonne	2,362	Jim, Diane & Hamilton, Mike	3,842
Atkinson, Patrick Joseph	1,427	Johnson,Dwayne & MacFarlene,Donn	5,344
Bates, Lynnette	1,005	Ledgerwood, Harold	1,738
Benjamin, Jason	1,905	Lindsay, Owen & Annette	1,063
Bien, Karen	1,958	Macewan, Tracey	1,120
Bien, Shirley	2,677	McCormick, Marsha	1,039
Blackjack, Marissa	1,916	McKenna, Lewis & Peters, Chris	1,423
Brooks, Deborah	3,053	Mosavi, Sayed & Rahmani, Flora	2,259
Bunbury, Lisa	1,203	Remple, Larry	1,867
Burns, Roxanne	1,265	Sam, Georgina	2,114
Butler, Loretta & Randy	1,353	Sam, Robin	1,229
Carlick, Sarah	2,514	Sanders, Susan	1,173
Casey, Roanna	2,923	Schafer, Angela	1,319
Charlie, Susan	2,133	Schultz, Brenda	1,962
Charlie, Vanessa	1,883	Secord, Dalelyn & Wayne	1,778
Dick, Robert Mason	1,103	Semple-Berens, Christine	2,091
Dick, Roberta	1,073	Sidney, Mary	8,800
Fox, Michelle	2,349	Simon, Lawrence (Deceased)	1,038
Gagnon,Mike & Stewart,Elaine	1,056	Smarch, Michael	1,732
Geddes, Rosetta	1,052	Sparvier, Rhonda	1,065
Grant, Christine	1,918	Stanley, Bryan	1,025
Harper,Melvin & Smarch,Martina	9,884	Taruc, Ernesto	1,049
Hartling, Shirley & Neil (Neil deceased)	1,208	Ward, Donna	2,217
Henley, Dale	1,013	Ward, James	1,723
Hume, Janet	2,015	Wilson, Marvel	1,472
Jackson, Teddy & O'Brien, Mart	3,587	Woledge, Jack	1,341

Tenant Receivables Written off $1,000 and over	$ 113,856
Tenant Receivables written off $999 and under	$ 50,492
Total accounts written off in the year ended March 31, 2006	$ 164,347
Total accounts written off in the year ended March 31, 2005	$ 10,845
Total accounts written off in the year ended March 31, 2004	$ 58,664
Total accounts written off in the year ended March 31, 2003	$ 27,487

The Corporation is disclosing bad debts written off as required by subsection 14(4) of the *Financial Administration Act*.

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